

Chapter SEC 5

LICENSING OF INVESTMENT ADVISERS

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SEC 5.01 Licensing procedure. (1) Applications for initial and renewal licenses and qualifications of investment advisers and their representatives shall be filed on forms prescribed by the commissioner in s. SEC 9.01 (1).

(2) A licensing "application" for purposes of s. 551.32 (1) (b), Stats., means all information required by the form prescribed under sub. (1) and any additional information required by the commissioner.

(3) Unless waived under sub. (4), each applicant for an initial license as an investment adviser or for qualification as an investment adviser representative after January 1, 1984, and each applicant whose application has not become effective by January 1, 1984, is required to pass with a grade of at least 75%, each part of the Wisconsin Investment Adviser Representative Examination.

(4) The examination requirement in sub. (3) is waived for any applicant who meets the criteria set forth in any one of the paragraphs in this subsection:

(a) The applicant has taken any of the following examinations within 2 years prior to the date an application for qualification is filed and has scored a grade that equals or exceeds the minimum passing grade established by the administrator of the respective examination:

1. One or more parts of the Chartered Financial Analysts' Examination;
2. The Chartered Investment Counselor Examination;
3. The national association of securities dealers, inc. Series 2 or 7 Examinations.

(b) The applicant has met the examination requirement in sub. (3) within 2 years prior to the date the application for license or qualification is filed.

(c) The applicant has been licensed or registered within 2 years prior to the date the application is filed as an investment adviser representative under the securities law of another state requiring an examination equivalent to the examination designated in sub. (3).

(d) The applicant has submitted a written statement manually signed by a person duly authorized by the applicant satisfactory to the commissioner setting forth how the applicant's activities will be limited in this state and, in the case of an investment adviser representative seeking

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the limited qualification, how the representative will be adequately supervised.

(e) The applicant has been licensed as an investment adviser or qualified as an investment adviser representative under ch. 551, Stats., within 2 years prior to the date the application is filed.

(f) The applicant has been employed continuously as a portfolio manager or securities analyst in the banking, insurance or securities industry during the 3 years immediately preceding the filing of the application for license or qualification.

(g) The applicant, during the 3 years immediately preceding the filing of an application, has been continuously employed as a securities agent and is designated as a general securities representative by the national association of securities dealers, inc.

(h) The applicant has received an order of the commissioner, issued under conditions as the commissioner may prescribe, waiving the requirement to take and pass the examination in sub. (3).

(5) Prior to issuance of a license as an investment adviser, at least one employee located at the principal office of the investment adviser must be designated in the license application to act in a supervisory capacity and be qualified as an investment adviser representative for the investment adviser, and must pass the Wisconsin Investment Adviser Representative Examination unless the examination is waived under sub. (4).

(6) Any application for license which is not completed or withdrawn within 6 months from the date it is initially received may be deemed materially incomplete under s. 551.34 (1) (a), Stats., and the commissioner may issue an order denying effectiveness to the application.

(7) Every investment adviser whose principal office is located in this state shall have at least one person qualified as an investment adviser representative employed on a full-time basis at its principal office.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (1), Register, December, 1979, No. 288, eff. 1-1-80; am. (1) and (6), renum. (4) (b) and (c) to be (4) (c) and (d), cr. (4) (b), r. and recr. (5), Register, December, 1980, No. 300, eff. 1-1-81; am. (3) to (5), Register, December, 1982, No. 324, eff. 1-1-83; am. (1) and (2), r. and recr. (3) and (4), Register, December, 1983, No. 336, eff. 1-1-84; am. (3), renum. (4) (g) to be (4) (h), cr. (4) (g), Register, December, 1986, No. 372, eff. 1-1-87.

SEC 5.02 Net capital requirement. (1) Every investment adviser shall maintain net capital of not less than \$5,000, which shall be in the form of cash or securities or other liquid assets as determined by the commissioner.

(2) If an investment adviser is an individual, the person shall segregate from personal capital an amount sufficient to satisfy the net capital requirement, and the amount so segregated shall be utilized solely for the business for which the investment adviser is licensed.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78.

SEC 5.03 Investment advisers' records. (1) Every licensed investment adviser shall maintain and keep current the following books and records relating to its business:

(a) All partnership agreements, or all articles of incorporation, by-laws, minute books and stock certificate books of the investment adviser.

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(b) A general ledger (or other records in the case of a sole proprietor) reflecting all asset, liability, income, expense, and capital accounts.

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(8) Placing an order for the purchase or sale of a security if the security is not registered or the security or transaction is not exempt from registration under ch. 551, Stats.

(9) Placing an order for a customer, or recommending that the customer place an order, to purchase or sell a security through a broker-dealer or agent not licensed under ch. 551, Stats., unless the customer is a person described in s. 551.23 (8), Stats.

(10) Recommending to a customer that the customer engage the services of a broker-dealer, agent or investment adviser not licensed under ch. 551, Stats., unless the customer is a person described in s. 551.23 (8), Stats.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (intro.) and (1), renum. (2) to be (8) and am., cr. (2) to (7), Register, December, 1980, No. 300, eff. 1-1-81; am. (9), cr. (10), Register, December, 1986, No. 372, eff. 1-1-87.

SEC 5.07 License period. (1) The initial license of an investment adviser expires April 30 of each year. The qualification of an investment adviser representative expires on the same day as that of the investment adviser which the person represents. The commissioner may by order limit the period of, or specify an earlier expiration date for, any license.

(2) The qualification of an investment adviser representative is not effective during any period when the investment adviser which that person represents is not licensed or during any period when the representative is not employed by a specified investment adviser licensed under ch. 551, Stats.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am., Register, December, 1980, No. 300, eff. 1-1-81.

SEC 5.08 Withdrawal of licenses. (1) An application for withdrawal from the status of a licensed investment adviser under s. 551.34(6), Stats., shall be filed by the licensee on Form IAW(WI) prescribed by the commissioner, and shall include a report on the status of all customer accounts of the licensee in this state and any additional information the commissioner may require.

(2) An application for withdrawal from the status of a qualified investment adviser representative shall be filed by the investment adviser which the person represents within 15 days of the termination of the representative's employment on Form IAREPW prescribed by the commissioner.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (1) and (2), Register, December, 1979, No. 288, eff. 1-1-80; am. (2), Register, December, 1982, No. 324, eff. 1-1-83.

SEC 5.09 Denial, suspension, revocation and censure. Any order denying, suspending or revoking the license of an investment adviser or censuring a licensee may include such other sanctions as the commissioner finds appropriate.

History: Cr. Register, December, 1977, No. 264, eff. 1-1-78.